

U.S. BUSINESS OPPORTUNITY

CIUDAD OBREGÓN INTERNATIONAL AIRPORT EXPANSION PROJECT

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For more information on this project, possible financing options and export opportunities in Mexico, contact:

U.S. Trade and Development Agency

Keith Eischeid

Country Manager, Mexico and Central America
(703) 875 - 4357 // keischeid@ustda.gov

U.S. Commercial Service: In-Country

Dorothy Lutter

Senior Commercial Officer
011- 52-55-5140-2600 // Dorothy.Lutter@trade.gov

International Trade Administration / Manufacturing & Services

Alexis Haakensen

International Trade Specialist
(202) 482-6235 // Alexis.Haakensen@trade.gov

U.S. Export-Import Bank

Xiomara Creque

Regional Director Americas
(202) 565 - 3477 // xiomara.creque@exim.gov

Overview

The U.S. Trade and Development Agency (USTDA) provided a grant for a Feasibility Study for the Ciudad Obregón International Airport (CEN) Expansion and Update Project in the State of Sonora.

The main objectives of the study included:

- Determining the feasibility of the international airport expansion, including a cargo multimodal terminal to increase airport efficiency and promote the economic competitiveness in the region
- Establishing a business plan that foresees the entrepreneurial vision of the regional economic forces and realistically estimates the business opportunities associated with airport development and acts as a "jumping board" to establish an effective promotion strategy for the project
- Designing a realistic financial plan to obtain resources from the financial sector in favorable conditions and to eventually allow the involvement of private investors to respond in a timely and effective manner to the investment requirements in the various airport development stages

Project Description

Market research was conducted to assess the passenger and cargo air services in the existing and potential area of influence of the airport to identify the business opportunities and define the target markets. The airport's competitiveness was analyzed and key actions were identified to make best use of the airport's geographic location, including proximity to the main urban, agricultural, fishing and industrial areas in the region, as well as important highways that connect the border city of Nogales with Guadalajara and the Metropolitan Area of the Valley of Mexico. Based on the market research, the following recommendations were suggested:

- Development of new routes and frequencies to serve passengers at the airport, as well as promote more competitive airfares

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- Development of an air cargo terminal at the airport to promote the air-based export of perishables and manufactured goods in the region
- Development of an industrial zone and in-bond area at the airport
- Development of a cargo distribution and logistics center annexed to the airport to promote the surfaced-based export of perishables and improve the competitiveness of local exporters

It was discovered through the market research that the nearly one million residents and consumers of southern Sonora and Northern Sinaloa appear to be underserved.

In 2004, CEN served about 150,000 passengers, of which less than 5% were international passengers on domestic flights. On the contrary, Hermosillo Airport, located about 200 kilometers from CEN, served more than 1.3 million passengers.

Although the State of Sonora is one of the most important exporters nationwide, the amount of air cargo generated in southern Sonora has not been sufficient to attract regular air cargo operations at the airport.

It was estimated that with the proper infrastructure at the airport in terms of facilities for the appropriate handling of product and air services at CEN, projected air cargo at CEN could grow to 25 tons annually.

Status and Implementation

Over the past several years, ASA has been moving forward with several recommendations included in the USTDA-funded study, including the construction of an industrial zone.

The airport development Master Plan was divided into four, five-year development periods as follows:

- Development Period 1: 2005-2009
- Development Period 2: 2010-2014
- Development Period 3: 2015-2019
- Development Period 4: 2020-2024

Development Period 1 included improvements to the landside, airside and support facilities.

Airside projects included:

- Building a new Control Tower
- Updating the Control Tower equipment
- Updating Nav aids
- Building a new Type B position in the commercial apron
- Building a cargo apron for a Type C position
- Building a taxiway for the cargo terminal

Landside projects include:

- Developing Flight Information Display and Closed-Circuit Television systems
- Improving passenger inflow and outflow inside the terminal
- Developing baggage handling systems
- Building the first module of the cargo terminal
- Building the handling yard and vehicle parking for the cargo terminal
- Building the landside access roads to the cargo terminal

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- Expanding the access roads to the airport
- Adjusting the road intersection to allow the inflow and outflow of cargo equipment

Development Period 2 includes improvements to the landside, airside and support facilities.

Airside projects include:

- Building five Type A positions in the General Aviation apron
- Providing major maintenance to the runways and taxiways
- Providing major maintenance to the aprons
- Replacing Aircraft Rescue and Firefighting (ARFF) equipment

Landside projects include:

- Building a General Aviation Terminal
- Expanding the vehicle parking for the passenger terminal

Development Period 3 includes improvements to the landside, airside and support facilities.

Airside projects include:

- Building an additional Type C position in the commercial aviation apron
- Building five additional type A positions in the General Aviation apron

Landside projects include:

- Adding 500 square meters to the terminal building to total 3,500 square meters
- Expanding the vehicle parking for the passenger terminal

Development Period 4 includes improvements to the landside, airside and support facilities.

Airside projects include:

- Building an additional Type C position in the cargo apron
- Building five additional Type A positions in the General Aviation apron
- Providing major maintenance to the runways and taxiways
- Building the first section of the parallel taxiway, between Taxiways Alpha and Bravo

Landside projects include:

- Adding 500 square meters to the Terminal Building to total 4,000 square meters
- Building the second module of the cargo terminal
- Building a handling yard and vehicle parking for the second module of the cargo terminal
- Expanding the vehicle parking for the passenger terminal
- Creating an independent access road to the airport cargo facilities

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Project Cost and Financing

The capital investment projects proposed in the 20-year development program have a total cost of approximately \$43.3 million. This amount includes expansions, improvements and the major maintenance program at the airport, two modules at the air cargo terminal, the first stages of the industrial zone, in-bond site, multimode terminal and a distribution and logistics center, and acquisition of land outside airport property.

Based on the financial analysis and on experience in developing similar projects, it is recommended that the Sonora State Government and ASA finance 51% and a private local partner finance a maximum of 49%.